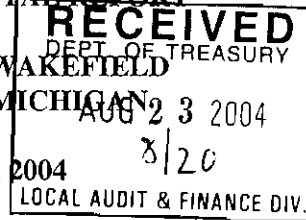


**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL REPORT**

(Gegebie)
**TOWNSHIP OF WAKEFIELD
WAKEFIELD, MICHIGAN**

March 31, 2004



AUDITING PROCEDURES REPORT

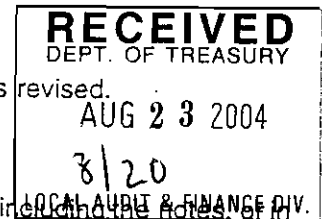
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF WAKEFIELD	County GOGEBIC
Audit Date MARCH 31, 2004	Opinion Date JULY 21, 2004	Date Accountant Report Submitted to State: AUGUST 20, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, P.L.L.C.			
Street Address 301 N. SUFFOLK ST.	City IRONWOOD	State MI	ZIP 49938
Accountant Signature <i>Joki, Makela, Pollack, PLLC</i>			

CONTENTS

Audited Financial Statements:

Independent Auditor’s Report	Page 3	
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups	6	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance –All Governmental Fund Types.....	8	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance and Comparison with Budget - All Governmental Fund Types	9	
Statement of Operations and Changes in Retained - Earnings Deficit - Proprietary Fund Type - Enterprise Fund – Water Fund	11	
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund – Water Fund	12	
Notes to Financial Statements	14	
Combining and Individual Fund Financial Statements:		
General Fund:		
Statement of Revenues - Estimated and Actual	28	
Statement of Expenditures and Comparison with Budget	29	
Fiduciary Funds:		
Combining Balance Sheets	33	
Statement of Changes in Assets and Liabilities	34	
Supplemental Report - Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		A-1

JOKI, MAKELA & POLLACK, P.L.L.C.

**CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027**

**T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS**

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jmp@ironwoodcpa.com**

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Wakefield
Wakefield, Michigan

We have audited the accompanying general purpose financial statements of Township of Wakefield and its combining and individual fund financial statements as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the entire historical cost and corresponding depreciation in the financial statements of the proprietary fund type - enterprise fund, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be included in the financial statements is not known.

In our opinion, except for the effect on the financial statements of the omission described in the third paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Township of Wakefield as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Township of Wakefield as of March 31, 2004, and the results of operations of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, in the year ended March 31, 2004, Township of Wakefield changed from an unacceptable method of reporting capital outlay expenditures to an acceptable method in the capital project fund. Also as discussed in Note A to the financial statements, in the year ended March 31, 2004, Township of Wakefield changed from an unacceptable method of reporting general long-term debt to an acceptable method in the general long-term debt account group. The changes in accounting methods have been accounted for as corrections of errors and fund balance and general long-term debt at the beginning of the year have been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2004, on our consideration of Township of Wakefield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 21, 2004

GENERAL
PURPOSE
FINANCIAL
STATEMENTS

COMBINED BALANCE SHEET

TOWNSHIP OF

March 31,

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Enterprise</u>
ASSETS				
Cash	\$ 156,082	\$ 232,080	\$ 23,611	\$ 18,068
Investments	118,336			
Accounts receivable:				
Accounts, net	23,000			19,377
Delinquent property taxes	4,421			
Due from other funds	61,749			
Prepaid expenses	4,022			
Utility plant, net				8,247
General fixed assets				
Amount to be provided for retirement of long-term debt				
	<u>\$ 367,610</u>	<u>\$ 232,080</u>	<u>\$ 23,611</u>	<u>\$ 45,692</u>
LIABILITIES AND FUND EQUITY (DEFICIT)				
Liabilities:				
Accounts payable	\$ 2,993	\$ 111		\$ 6,980
Accrued wages and payroll taxes	4,304			
Due other funds				56,000
Due other governmental units				
Michigan Economic Development Corporation Financing loan payable:				
1998 Agreement				
2002 Agreement				
Loan payable to Forward Wakefield				
Total Liabilities	<u>\$ 7,297</u>	<u>\$ 111</u>		<u>\$ 62,980</u>
Fund equity (deficit):				
Investment in fixed assets				
Fund balances:				
Reserved:				
For prepaid expenses	\$ 4,022			
For long-term receivable	56,000			
For construction			\$ 23,611	
Designated by board	135,000			
Unreserved	165,291	\$ 231,969		
Retained-earnings deficit				<u>\$ (17,288)</u>
Total Fund Equity (Deficit)	<u>\$ 360,313</u>	<u>\$ 231,969</u>	<u>\$ 23,611</u>	<u>\$ (17,288)</u>
	<u>\$ 367,610</u>	<u>\$ 232,080</u>	<u>\$ 23,611</u>	<u>\$ 45,692</u>

The accompanying notes are an integral part of the
financial statements

ALL FUND TYPES AND ACCOUNT GROUPS

WAKEFIELD, MICHIGAN

2004

Account Groups		Fiduciary Fund	Totals
General	Long Term	Type	(Memorandum
Fixed Assets	Debt	Trust and	Only)
		Agency	
		\$ 72,074	\$ 501,915
			118,336
			42,377
			4,421
			61,749
			4,022
			8,247
\$ 742,225			742,225
	\$ 852,489		852,489
<u>\$ 742,225</u>	<u>\$ 852,489</u>	<u>\$ 72,074</u>	<u>\$ 2,335,781</u>
			\$ 10,084
			4,304
		\$ 5,749	61,749
		66,325	66,325
	\$ 135,000		135,000
	426,250		426,250
	<u>291,239</u>		<u>291,239</u>
	\$ 852,489	\$ 72,074	\$ 994,951
\$ 742,225			\$ 742,225
			4,022
			56,000
			23,611
			135,000
			397,260
			<u>(17,288)</u>
<u>\$ 742,225</u>			<u>\$ 1,340,830</u>
<u>\$ 742,225</u>	<u>\$ 852,489</u>	<u>\$ 72,074</u>	<u>\$ 2,335,781</u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2004

	General	Special Revenue	Capital Project	Totals (Memorandum Only)
Revenues:				
Taxes	\$ 126,061			\$ 126,061
Licenses and permits	1,472			1,472
Federal grants	10,644			10,644
State grants	27,773			27,773
Charges for services	3,466			3,466
Interest and rents	4,676	\$ 9,220		13,896
Other revenues	<u>2,568</u>			<u>2,568</u>
TOTAL REVENUES	\$ 176,660	\$ 9,220	\$ 0	\$ 185,880
Expenditures:				
Current:				
Legislative	\$ 9,767			\$ 9,767
General government	63,914			63,914
Public safety	8,687			8,687
Public works	30,180			30,180
Parks and recreation	3,250			3,250
Economic development		\$ 3,523		3,523
Other	43,072		\$ 131	43,203
Capital outlay	<u>1,049</u>	<u>7,950</u>	<u>243,894</u>	<u>252,893</u>
TOTAL EXPENDITURES	\$ 159,919	\$ 11,473	\$ 244,025	\$ 415,417
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 16,741	\$ (2,253)	\$ (244,025)	\$ (229,537)
Other financing source - proceeds from borrowing			<u>226,545</u>	<u>226,545</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES	\$ 16,741	\$ (2,253)	\$ (17,480)	\$ (2,992)
Fund balance at April 1, 2003, as previously reported	\$ 343,572	\$ 234,222	\$ 290,181	\$ 867,975
Adjustment to recognize cumulative effect of correction of error in recording capital outlay in a prior period			<u>(249,090)</u>	<u>(249,090)</u>
Fund balance at April 1, 2003, as adjusted	<u>\$ 343,572</u>	<u>\$ 234,222</u>	<u>\$ 41,091</u>	<u>\$ 618,885</u>
FUND BALANCE AT MARCH 31, 2004	<u>\$ 360,313</u>	<u>\$ 231,969</u>	<u>\$ 23,611</u>	<u>\$ 615,893</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

TOWNSHIP OF

Year ended

	<u>General Fund</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 132,300	\$ 126,061	\$ (6,239)
Licenses and permits	1,050	1,472	422
Federal grants	10,500	10,644	144
State grants	26,650	27,773	1,123
Charges for services	3,500	3,466	(34)
Interest and rents	5,250	4,676	(574)
Other revenues	<u>8,250</u>	<u>2,568</u>	<u>(5,682)</u>
TOTAL REVENUES	\$ 187,500	\$ 176,660	\$ (10,840)
Expenditures:			
Current:			
Legislative	\$ 10,293	\$ 9,767	\$ 526
General government	72,637	63,914	8,723
Public safety	18,000	8,687	9,313
Public works	86,820	30,180	56,640
Recreation and culture	3,350	3,250	100
Economic development			
Other	45,400	43,072	2,328
Capital outlay	<u>15,000</u>	<u>1,049</u>	<u>13,951</u>
TOTAL EXPENDITURES	\$ 251,500	\$ 159,919	\$ 91,581
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (64,000)	\$ 16,741	\$ 80,741
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	\$ 39,000		\$ (39,000)
Transfer to other funds	<u>(20,000)</u>		<u>20,000</u>
	\$ 19,000		\$ (19,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (45,000)	\$ 16,741	\$ 61,741
Fund balances at April 1, 2003	<u>343,572</u>	<u>343,572</u>	
FUND BALANCES AT MARCH 31, 2004	<u>\$ 298,572</u>	<u>\$ 360,313</u>	<u>\$ 61,741</u>

The accompanying notes are an integral part of the financial statements.

BALANCES AND COMPARISON WITH BUDGET - ALL GOVERNMENTAL FUND TYPES

WAKEFIELD, MICHIGAN

March 31, 2004

<u>Special Revenue Fund</u>		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 49,350	\$ 9,220	\$ (40,130)
<u>45,000</u>		<u>(45,000)</u>
\$ 94,350	\$ 9,220	\$ (85,130)
\$ 26,500	\$ 3,523	\$ 22,977
<u>197,850</u>	<u>7,950</u>	<u>189,900</u>
\$ 224,350	\$ 11,473	\$ 212,877
\$ (130,000)	\$ (2,253)	\$ 127,747
\$ 130,000		\$ (130,000)
<u>130,000</u>		<u>(130,000)</u>
	\$ (2,253)	\$ (2,253)
\$ 234,222	<u>234,222</u>	
<u>\$ 234,222</u>	<u>\$ 231,969</u>	<u>\$ (2,253)</u>

STATEMENT OF OPERATIONS AND CHANGES IN RETAINED-EARNINGS DEFICIT -
 PROPRIETARY FUND TYPE - ENTERPRISE FUND - WATER FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2004

Operating revenue -			
Charges for services		\$	56,133
Operating expenses:			
Water purchases	\$	46,898	
Contracted services		1,253	
Materials and supplies		441	
Auto expense		432	
Repairs and maintenance		6,312	
GRWA contributions		3,693	
Utilities		6,249	
Provision for depreciation		<u>940</u>	\$ 66,218
Administrative expenses:			
Contracted services	\$	520	
Office supplies		201	
Printing and publishing		721	
Professional fees		800	
Dues and fees		<u>628</u>	<u>2,870</u>
			\$ <u>69,088</u>
	OPERATING LOSS	\$	(12,955)
Nonoperating revenue - interest			<u>367</u>
	NET LOSS	\$	(12,588)
Retained-earnings deficit at April 1, 2003			<u>(4,700)</u>
	RETAINED-EARNINGS DEFICIT AT MARCH 31, 2004	\$	<u><u>(17,288)</u></u>

The accompanying notes are an integral part of the
 financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE -
ENTERPRISE FUND - WATER FUND
TOWNSHIP OF WAKEFIELD, MICHIGAN
Year ended March 31, 2004

Cash flows from operating activities:		
Cash received from customers	\$	54,233
Cash paid to suppliers and employees for goods and services		<u>(68,866)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$	(14,633)
Cash flows from capital and related financing activities - capital expenditures		(783)
Cash flows from noncapital financing activities - repayment of advance from other fund		(5,000)
Cash flows from investing activities - interest earned		<u>367</u>
NET DECREASE IN CASH	\$	(20,049)
Cash at April 1, 2003		<u>38,117</u>
CASH AT MARCH 31, 2004	\$	<u>18,068</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$	(12,955)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	\$	940
(Increase) decrease in:		
Accounts receivable		(1,900)
Prepaid expense		159
Decrease in accounts payable		<u>(877)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$	<u>(14,633)</u>

The accompanying notes are an integral part of the
financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Wakefield (Township) operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units, except that the entire historical cost and corresponding depreciation is not included in financial statements of the proprietary fund type-enterprise fund. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township for financial-reporting. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation - Fund Accounting

The Township uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

GOVERNMENTAL FUND TYPES

General Fund - is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

GOVERNMENTAL FUND TYPES (CONTINUED)

Special Revenue Funds - are used by the Township to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Township has one special revenue fund which is used to account for financial resources from the lease and sale of a building the Township constructed with grant and local funding located in a renaissance zone of the Township as established by the State of Michigan.

Capital Project Funds - are used to account for financial resources to be used for a building and infrastructure improvements in the renaissance zone funded by a Community Development Block Grant through the Michigan Economic Development Corporation including the local match required. The Township has one capital project fund.

PROPRIETARY FUNDS

These funds account for operations that are organized to be self-supporting through user charges and include the Enterprise Fund.

Enterprise Fund - Water Fund is used to account for operations that provide water services, in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUND TYPES

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. These include the Trust and Agency and Tax Collection fund. These funds are custodial in nature and do not involve measurement of results of operations.

ACCOUNT GROUPS

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

ACCOUNT GROUPS (CONTINUED)

General Fixed Assets Account Group – presents the fixed assets of the Township utilized in its general operations (nonproprietary fixed assets). The April 1, 2003 General Fixed Asset Account Group has been restated to include capital outlay for construction of a building and related improvements totaling \$249,090.

General Long-Term Debt Account Group – presents the balance of long-term liabilities, which are not recorded in Proprietary Funds. The April 1, 2003 General Long-Term Debt Account Group has been restated to include a loan from Forward Wakefield in the amount of \$291,239 as described in Note M.

Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay current fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have been used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary funds use the accrual basis of accounting and the flow of economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Township applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year. The Township did not adopt a budget for the capital project fund, which is required by the State of Michigan.

Investments

Investments include certificates of deposit in local financial institutions with maturity dates greater than 90 days and are stated at fair market value, which is equal to cost.

Receivables

Credit is extended to customers of the Enterprise Fund. All receivables are reported at their gross values. No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are few.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. General fixed assets are not depreciated.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective funds to which it applies. The Township has not capitalized the entire historical cost of the enterprise fund-water fund as required by generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (Continued)

Property, plant and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives, which is estimated at ten years, using the straight-line method of depreciation.

Long-Term Debt

The Township reports the financing proceeds of infrastructure improvements as provided by the Community Development Block Grant program through the State of Michigan as liabilities in the General Long-Term Debt Account Group.

Fund Equity

The unrestricted fund balances for governmental funds represent the amount available for budgeting future operations. Restricted fund balances for governmental funds represent the amounts restricted by the Board for future activities.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a deferred revenue on December 1; the property taxes are then recognized as revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Columns on Combined Financial Statements – Overview (Continued)

Total columns on the Combined Financial Statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

Correction of Accounting Errors

Effective April 1, 2003, the Township changed its method of reporting capital outlay expenditures from an unacceptable method to an acceptable method. The cumulative effect of the change decreased the April 1, 2003 fund balance by \$249,090, in the Capital Project Fund and increased general fund assets by the same amount.

Also effective, April 1, 2003, the Township changed its method of reporting general long-term debt from an unacceptable method to an acceptable method. The cumulative effect of the change increased general long-term debt by \$291,239.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a Township must amend its budget if it becomes apparent that the Township’s actual revenues will deviate from those budgeted, or if the Township’s expenditures will exceed the amounts appropriated. During the year ended March 31, 2004, the Township monitored and amended its budget and was in substantial compliance with the Act except for the following:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund -			
Transfer from other funds	\$ 39,000	\$ 0	\$ 39,000
Special Revenue Fund			
Interest and rents	49,350	9,220	40,130
Other revenues	45,000	0	45,000
Transfer from other funds	130,000	0	130,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Public Act 621 of 1978 Disclosures (Continued)

Public Act 621 of 1978 requires local units of government to adopt a budget for capital projects funds. The Township did not adopt a budget for their capital projects fund.

Public Act 275 of 1980 Disclosure

The Enterprise Fund-Water Fund had a retained-earnings deficit of \$17,288 as of March 31, 2004. There were no deficits in any of the Township's other funds at March 31, 2004.

NOTE C - CASH

All deposits were made either in banks insured by federal depository insurance or in a local credit union insured by the national credit union administration. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2004, total cash as reported by banks and credit union amounted to \$504,243 of which \$300,000 was covered by depository insurance, and \$204,243 exceeded coverage limits.

NOTE D – GENERAL FIXED ASSETS

Following is a summary of changes in general fixed assets during the year ended March 31, 2004:

	Balance at April 1, 2003 <u>as restated</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, 2004
Land	\$ 73,000			\$ 73,000
Buildings and improvements	393,087	\$ 251,844		644,931
Furniture, fixtures and equipment	<u>23,245</u>	<u>1,049</u>	<u> </u>	<u>24,294</u>
	<u>\$ 489,332</u>	<u>\$ 252,893</u>	<u>\$ 0</u>	<u>\$ 742,225</u>

NOTE E - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. Property taxes are recorded as revenues when they are collected. The delinquent real property taxes of the Township for the 2003 levy are to be purchased by the County of Gogebic. These taxes will be recorded as revenues when the monies are received.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - PROPERTY TAXES (CONTINUED)

One taxpayer accounts for approximately 39 percent of the assessed valuation and tax levy of the Township.

Costs incurred for administrative costs in assessing and collecting property taxes exceed receipts from charging the property tax administrative fee.

A summary of the 2003 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
Intermediate School District	3.4100	\$ 89,798	\$ 5,565	\$ 84,233
County	11.0013	289,692	36,332	253,360
State Education Tax	5.0000	131,674	8,161	123,513
School	20.5102	443,597	23,316	420,281
Township	<u>4.2254</u>	<u>101,532</u>	<u>4,421</u>	<u>97,111</u>
TOTALS	<u>44.1469</u>	<u>\$ 1,056,293</u>	<u>\$ 77,795</u>	<u>\$ 978,498</u>
Taxable valuation:				
Homestead				\$ 5,395,835
Non-homestead				<u>21,306,391</u>
				<u>\$ 26,702,226</u>

NOTE F - UTILITY PLANT

A summary of utility plant in service at March 31, 2004, follows:

	<u>Water Supply Fund</u>	<u>Estimated Useful Life</u>
Equipment	\$ 9,402	10 years
Less allowances for depreciation	<u>1,155</u>	
NET CARRYING AMOUNT	<u>\$ 8,247</u>	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – GENERAL LONG-TERM DEBT

The loan from Michigan Job Commission, Community Development Block Grant (CDBG) funds, dated June 1998 for infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of not less than five percent, requires no payments for five years, and up to 90% of the loan may be forgiven at the rate of \$20,000 per job created. The loan period is 20 years. The project has been extended to May 31, 2005.

The loan from Michigan Strategic Fund, CDBG Funds, dated August 2002 for additional infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of zero percent and requires no payments for first two years. Up to 100% of the loan may be forgiven at the rate of \$10,000 per job created. The loan period is ten years. The term of the project is from August 1, 2002 to July 31, 2007.

The loan from Forward Wakefield, dated January 2003 to provide local matching dollars for the latest Renaissance Zone Industrial Park building, bears an interest rate of 6.9% and requires annual payments of principal and interest totaling \$41,082 beginning December 1, 2003 with final payment scheduled for December 1, 2012. No payment was made on this loan during the year end March 31, 2004.

The Township commitments under these loans are further explained in Note M to the financial statements. Because the Township expects the majority of these loans to be forgiven by jobs created, a 5-year schedule of debt payments to maturity is not presented.

Following is a summary of changes in long-term debt during the year ended March 31, 2004:

	Balance at April 1, 2003, <u>as restated</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2004</u>
General Long Term Debt: (see Note M)				
Loan from Michigan Job Commission	\$ 135,000			\$ 135,000
Loan from Michigan Strategic Fund	199,705	\$ 226,545		426,250
Loan from Forward Wakefield	<u>291,239</u>			<u>291,239</u>
	<u>\$ 625,944</u>	<u>\$ 226,545</u>	<u>\$ 0</u>	<u>\$ 852,489</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 61,749	Tax Collection	\$ 5,728
		Trust and Agency	21
	<u> </u>	Water Fund	<u>56,000</u>
	<u>\$ 61,749</u>		<u>\$ 61,749</u>

NOTE I – FUND BALANCE RESERVES AND DESIGNATIONS

The General Fund, fund balance at March 31, 2004, included a reserve for prepaid expenses of \$4,022 and a long-term receivable from the Water Fund of \$56,000.

The Board has designated \$135,000 of General Fund, fund balance to be used for future economic development or debt service.

The Capital Project Fund, fund balance is reserved in the amount of \$23,611 and will be used for final construction costs related to the building being constructed in a Renaissance Zone Industrial Park.

NOTE J – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2004, the Township collected construction code service fees of \$1,472 and spent \$1,500 for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township has one enterprise fund which provides a water supply system to a portion of the Township's residential and commercial customers. Segment information not reported on in the general purpose financial statements for the year ended March 31, 2004, follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

	Water Supply
Restricted donations and operating grants	\$ 0
Operating transfers in (out)	0
Tax revenues	0
Current capital contributions	0
Utility plant:	
Additions	783
Deletions	0
Net working capital (deficit)	(17,288)
Long-term debt - payable from operating revenues (including portion payable within one year)	0

NOTE L - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE M – COMMITMENTS

1998 Agreement

On June 1, 1998, the Township and Gogebic County entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in the Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COMMITMENTS (CONTINUED)

The State will offset any monies it advances under the agreement via application of a formula that provides for a \$20,000 reduction for each qualifying new job created. Any shortfall will become a liability of both the Township and Gogebic County on May 31, 2005. A repayment schedule will be determined by the State at that time if necessary. The Township and Gogebic County have each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for any monies not offset by new job creation. The Township has recorded in the General Long-Term Debt Account Group a loan payable to the State of \$135,000 (30% of the total amount) for their share of the debt. The Township has committed to reimbursing the County for any County liability incurred.

2002 Agreement

On August 1, 2002, the Township entered into a \$426,250 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 100% of the monies needed to design, develop, improve and install infrastructure in a State designated Renaissance Zone in the Township. The agreement was funded with a \$426,250 Community Development Block Grant administered by Michigan Strategic Fund.

The State will offset any monies it advances under the agreement via application of a formula that provides for a \$10,000 reduction up to 100% of the advances for each qualifying new job created. Any shortfall will become a liability of the Township at July 31, 2007, which is the end of the project.

A repayment schedule will be determined by the State at that time if necessary. The Township has pledged all payments that are eligible under 1971 PA 140 as collateral for any monies not offset by new job creation.

The Township has recorded the full amount of advances of \$426,250 as a liability in the General Long-Term Debt Account Group.

Loan Payable to Forward Wakefield

The Township allowed their agent, Forward Wakefield (a nonprofit Michigan corporation) to secure the permanent financing of an industrial building construction loan (dated January 22, 2003) in the amount of \$291,239 to provide local dollars to match the latest project undertaken. The building is pledged as collateral for the loan. The Township has committed to relieving the debt although no formal written agreement exists between the Township and Forward Wakefield. The amount is recorded as a liability in the General Long-Term Debt Account Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COMMITMENTS (CONTINUED)

Loan Payable to Forward Wakefield (Continued)

The Township has entered into a contract with the Gogebic Range Solid Waste Management Authority and the City of Wakefield, whereby the Township has agreed to pay 4.3% of the principal and interest due on \$100,000 of debt outstanding as of June 30, 2002. The principal payments are payable as follows:

2002 through 2005, inclusive	\$10,000
2006 through 2009, inclusive	\$15,000

An actual amortization schedule was unavailable for disclosure purposes. The Authority has applied for and was approved for a loan amount of \$476,000 through USDA-RDA. The loan proceeds will be used to retire the outstanding debt plus fund facility and equipment improvements. The Township has pledged its limited tax full faith and credit for prompt and timely payment of its share of obligation outstanding (not less than 4.3% nor more than 4.6%).

It is anticipated that the Authority will establish rates to meet their current and future operation and debt retirement expenditures. The Township has not participated in the past ten years in meeting the Authority obligations.

COMBINING
AND
INDIVIDUAL
FUND
FINANCIAL
STATEMENTS

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2004

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 111,000	\$ 101,723	\$ (9,277)
Payment in lieu of tax	1,000	1,075	75
Commercial forest reserve	8,000	11,085	3,085
Swamp tax	1,500	2,087	587
Property tax administrative fee	<u>10,800</u>	<u>10,091</u>	<u>(709)</u>
	\$ 132,300	\$ 126,061	\$ (6,239)
Licenses and permits	1,050	1,472	422
Federal grant - National forest	10,500	10,644	144
State grants:			
State revenue sharing	\$ 26,000	\$ 27,133	\$ 1,133
Metro Authority - P.A. 48 of 2002	<u>650</u>	<u>640</u>	<u>(10)</u>
	\$ 26,650	\$ 27,773	\$ 1,123
Charges for services - summer tax collection	3,500	3,466	(34)
Interest and rents:			
Interest earned	\$ 5,175	\$ 4,591	\$ (584)
Rents	<u>75</u>	<u>85</u>	<u>10</u>
	\$ 5,250	\$ 4,676	\$ (574)
Other revenues:			
Reimbursements	\$ 4,250	\$ 2,180	\$ (2,070)
Miscellaneous	<u>4,000</u>	<u>388</u>	<u>(3,612)</u>
	\$ <u>8,250</u>	\$ <u>2,568</u>	\$ <u>(5,682)</u>
TOTAL REVENUES	\$ <u>187,500</u>	\$ <u>176,660</u>	\$ <u>(10,840)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2004

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries	\$ 3,463	\$ 3,463	
Per diem	2,160	2,360	\$ (200)
Office supplies	200	134	66
Auto expense	350	421	(71)
Printing and publications	570	398	172
Miscellaneous	300	315	(15)
Dues and memberships	1,000	462	538
Contributions	<u>2,250</u>	<u>2,214</u>	<u>36</u>
TOTAL LEGISLATIVE	\$ 10,293	\$ 9,767	\$ 526
GENERAL GOVERNMENT			
Supervisor:			
Salary	\$ 7,494	\$ 7,494	
Per diem	200		\$ 200
Office supplies	50	20	30
Auto allowance	1,775	1,676	99
Miscellaneous	<u>50</u>	<u>38</u>	<u>12</u>
	\$ 9,569	\$ 9,228	\$ 341
Election:			
Salaries	\$ 1,000		1,000
Office supplies	100	\$ 206	(106)
Auto expense	100		100
Printing and publications	200		200
Miscellaneous	<u>200</u>		<u>200</u>
	\$ 1,600	\$ 206	\$ 1,394
Attorney - contracted services	1,000	739	261
Assessor:			
Office supplies	\$ 600	\$ 574	\$ 26
Contracted services	<u>7,769</u>	<u>7,312</u>	<u>457</u>
	\$ 8,369	\$ 7,886	\$ 483

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Clerk:			
Salary	\$ 9,682	\$ 9,682	
Per diem	500	600	\$ (100)
Deputy salary	500	432	68
Office supplies	1,000	985	15
Professional fees	3,300	2,400	900
Auto expense	1,775	1,464	311
Education	1,000	818	182
Miscellaneous	<u>100</u>	<u>114</u>	<u>(14)</u>
	\$ 17,857	\$ 16,495	\$ 1,362
Board of review:			
Salaries	\$ 1,300	\$ 905	\$ 395
Office supplies	50		50
Auto expense	50		50
Education	100		100
Miscellaneous	<u>100</u>	<u>46</u>	<u>54</u>
	\$ 1,600	\$ 951	\$ 649
Treasurer:			
Salaries	\$ 9,682	\$ 9,682	
Per diem	500	440	\$ 60
Deputy salary	500	32	468
Office supplies	1,000	2,052	(1,052)
Auto allowance	1,775	1,675	100
Printing and publishing	2,500	2,085	415
Insurance	450	395	55
Education	1,000	85	915
Miscellaneous	<u>100</u>	<u>54</u>	<u>46</u>
	\$ 17,507	\$ 16,500	\$ 1,007
Town hall and property:			
Salaries	\$ 1,800	\$ 1,800	
Per diem	400	90	\$ 310
Supplies	100	90	10
Auto expense	20		20
Fuel	5,000	2,982	2,018
Contracted services	1,000	845	155
Public utilities	1,300	962	338
Repairs and maintenance	1,000	1,011	(11)
Miscellaneous	<u>390</u>	<u>129</u>	<u>261</u>
	\$ 11,010	\$ 7,909	\$ 3,101

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Cemetery - contracted services	<u>4,125</u>	<u>4,000</u>	<u>125</u>
TOTAL GENERAL GOVERNMENT	\$ 72,637	\$ 63,914	\$ 8,723
PUBLIC SAFETY			
Fire protection - contracted services	\$ 6,700	\$ 6,500	\$ 200
Zoning board:			
Salaries	\$ 500		\$ 500
Supplies	850		850
Contracted services:			
Administrative	6,000	\$ 688	5,312
Inspections	2,500	476	2,024
Auto expense	350	148	202
Printing and publishing	150		150
Miscellaneous	150	142	8
Education	<u>800</u>	<u>733</u>	<u>67</u>
	<u>\$ 11,300</u>	<u>\$ 2,187</u>	<u>\$ 9,113</u>
TOTAL PUBLIC SAFETY	\$ 18,000	\$ 8,687	\$ 9,313
PUBLIC WORKS			
Highways and streets - construction and maintenance	\$ 49,320	\$ 187	\$ 49,133
Street lighting	17,500	13,658	3,842
Solid waste collections:			
Supplies	\$ 4,000		\$ 4,000
Contracted services	<u>16,000</u>	<u>\$ 16,335</u>	<u>(335)</u>
	<u>\$ 20,000</u>	<u>\$ 16,335</u>	<u>\$ 3,665</u>
TOTAL PUBLIC WORKS	\$ 86,820	\$ 30,180	\$ 56,640
RECREATION AND CULTURE			
Parks - contracted services	\$ 1,290	\$ 1,250	\$ 40
Library - contracted services	<u>2,060</u>	<u>2,000</u>	<u>60</u>
TOTAL RECREATION AND CULTURE	\$ 3,350	\$ 3,250	\$ 100

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
OTHER FUNCTIONS			
Veterans council	\$ 300	\$ 225	\$ 75
Insurance	41,000	39,780	1,220
Payroll taxes	<u>4,100</u>	<u>3,067</u>	<u>1,033</u>
TOTAL OTHER FUNCTIONS	\$ 45,400	\$ 43,072	\$ 2,328
CAPITAL OUTLAY	<u>15,000</u>	<u>1,049</u>	<u>13,951</u>
TOTAL EXPENDITURES	<u>\$ 251,500</u>	<u>\$ 159,919</u>	<u>\$ 91,581</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING BALANCE SHEETS - FIDUCIARY FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2004

	Trust and Agency Fund	Tax Collection Fund	Totals
ASSETS			
Cash	<u>\$ 353</u>	<u>\$ 71,721</u>	<u>\$ 72,074</u>
LIABILITIES			
Liabilities:			
Due General Fund	\$ 21	\$ 5,728	\$ 5,749
Due State of Michigan	332	43,531	43,863
Due Gogebic County		14,509	14,509
Due to schools		<u>7,953</u>	<u>7,953</u>
	<u>\$ 353</u>	<u>\$ 71,721</u>	<u>\$ 72,074</u>

The accompanying notes are an integral part of the
financial statements

STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	Balance at April 1, 2003	Trust and Agency		Balance at March 31, 2004
		Additions	Deductions	
ASSETS				
Cash	<u>\$ 345</u>	<u>\$ 9,468</u>	<u>\$ 9,460</u>	<u>\$ 353</u>
LIABILITIES				
Liabilities:				
Due General Fund	\$ 11	\$ 10		\$ 21
Due Federal government		8,153	\$ 8,153	
Due State of Michigan	334	1,305	1,307	332
Due Gogebic County				
Due to schools				
	<u>\$ 345</u>	<u>\$ 9,468</u>	<u>\$ 9,460</u>	<u>\$ 353</u>

The accompanying notes are an integral part of the financial statements.

AND LIABILITIES - FIDUCIARY FUNDS

WAKEFIELD, MICHIGAN

March 31, 2004

Tax Collection Fund			
Balance at April 1, 2003	Additions	Deductions	Balance at March 31, 2004
<u>\$ 51,345</u>	<u>\$ 1,175,705</u>	<u>\$ 1,155,329</u>	<u>\$ 71,721</u>
\$ 4,130	\$ 108,108	\$ 106,510	\$ 5,728
33,081	44,253	33,803	43,531
13,417	505,699	504,607	14,509
<u>717</u>	<u>517,645</u>	<u>510,409</u>	<u>7,953</u>
<u>\$ 51,345</u>	<u>\$ 1,175,705</u>	<u>\$ 1,155,329</u>	<u>\$ 71,721</u>

SUPPLEMENTAL
REPORT

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Township of Wakefield
Wakefield, Michigan

We have audited the general purpose financial statements of Township of Wakefield as of and for the year ended March 31, 2004, and have issued our report thereon dated July 21, 2004. We noted in our report that Township of Wakefield financial statements do not include the entire historical cost and corresponding depreciation of the proprietary fund type-enterprise fund. We also noted in our report that Township of Wakefield changed from an unacceptable method of recording capital outlay expenditures to an acceptable method in the capital project fund and from an unacceptable method of recording general long-term debt to an acceptable method in the general long-term debt account group in the year ended March 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Wakefield's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Wakefield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township of Wakefield's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the following paragraphs and were reported upon in prior years.

04-1 Michigan Public Act 621 of 1978

Budget Amendments

Michigan Public Act 621 of 1978 provides that a local unit shall amend its budget when it becomes apparent that actual expenditures will exceed budgeted expenditures. The Township received actual revenues and other financing sources, which were significantly less than budgeted amounts during the year ended March 31, 2004. We recommend that the Township review the requirements of Michigan Public Act 621 of 1978, amend its budget in accordance therewith in the future and require conformity to the Act. Township officials concur with the recommendation.

Capital Projects Fund Budget

In accordance with the Act, the Township is required to adopt a budget for any Capital Projects Fund activities on an annual basis and amend it accordingly during the year. The Township did not formally adopt a Capital Project Fund budget for the year ended March 31, 2004. We recommend the Township formally adopt a Capital Projects fund for any construction activities on an annual basis. Township officials agree to do so in the future.

04-2 Michigan Public Act 275 of 1980

Michigan Public Act 275 of 1980 provides that a local unit shall not incur a deficit. The Enterprise Fund – Water Fund has a retained-earnings deficit at March 31, 2004 of \$17,288. We recommend the Township correspond with the State of Michigan regarding revising the deficit elimination plan submitted in the prior year. Township officials have agreed to do so.

04-3 Enterprise Fund – Water Fund Plant Assets and Accumulated Depreciation

In accordance with Generally Accepted Accounting Principles, the entire cost of Enterprise Fund property and equipment should be capitalized and depreciated over their estimated useful lives. The Township has not recorded the entire historical cost or an estimate of historical cost and corresponding depreciation in the financial statements of the Water Fund. We recommend the Township research the Water Fund assets costs and properly record the amounts in the financial statements. The Township has agreed to do so.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the above items to be material weaknesses.

This report is intended solely for the information and use of the Township Board, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 21, 2004